INTERNATIONAL CONFERENCE ON SHARING INNOVATIVE AGRIBUSINESS SOLUTIONS

From Farms to Markets:
Providing Know-how and Finance.

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Innovative Forms of Finance

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Main Questions

- What specific forms of financing does strengthening farm to market linkages require?
- What financial institutions and what specific financial instruments meet these new requirements, particularly well?
- What specific forms of cooperation between financial institutions and chain integrators are key to profitable growth?
- How transferable are these institutions, instruments and modes of cooperation across regions, across markets and across food categories?
- What opportunities for *South-South cooperation* can emerge from this conference?

Current Situation

- Adaptable financial services are necessary *but not sufficient conditions* for farm to market strengthening
- Traditional challenge

-- Time lag between inputs and outputs

-- Requirements for specialized assets with long economic lives

-- Farmer income maintenance

- Term loans provided through micro finance institutions do not provide an adequate response to the challenges of supply chain linked agriculture

Current Situation

- New challenges
  - -- Linking financing and supply chain interdependencies
  - -- New asset categories
  - -- Need for active investor involvement
  - -- New risk management mechanisms
  - -- Increasingly supportive investment environments
- Rapidly evolving institutional response
  - -- Venture capital/hedge funds
  - -- Structured finance/ structured trade
  - -- New forms of public investment

Remaining Challenges:

- Profitable, integrated chains require external sources of working capital in order to sustain growth
- Creditworthiness of participants in a chain context requires monitoring
- Collaterals for farm products remain under developed….as do secondary markets for these products
- Instruments for equity and quasi equity investment in chain specific assets remain to be refined
- Ownership rights for farm land and water remain uncertain
- More generally, public policies are only partially supportive of innovative financing
- Boundary lines between public and private good investment require clarification

Opportunities:

- Rising food prices are attracting new forms of private investment
- Long term concerns with food security are provoking new policy thinking
- Large global disparities persist in food production and distribution productivity
- Intensified competition among food chains and their “second generation” competitive responses
- Public policies are being tested which support private investment
- Rapid learning is taking place within global financial service industries
- Increased complementarity between development banking institutions and private investors

Solutions Submitted

- A total of **19 solutions were submitted**
- **Subject areas:**
  - Facilitating business planning and financing
    - Scaling up successful pilot projects (FAEMG, Banca Agrileasing)
    - Formulating innovative supply chain structures (ACDI/VOCA, Cargill Ceylon)
    - Agri-industrial park development and agri-incubators (IAFP and FNC)
    - Due diligence reviews (CIEH-UNIDO)
  - Asset management (ACE, Equi Trade)
  - Matching grants (CCIAT)
- Only a limited number of solutions involve actually **putting private capital at risk**
- **Critical factors**:
  - Integrating competencies both in supply chain management and in financial risk management
  - Translating comparative advantage into competitive advantage
  - Opportunities for replication and self sustaining growth

Points for Discussion

- What innovative solutions have been successful in providing financing for agribusiness in developing countries?
- On what bases can financial institutions and chain integrators sustain cooperation?
- What factors have contributed to making these solutions successful?
- How can successful solutions be replicated in other countries/regions?

Thank You